Beaver County Employees' Retirement Fund - Equity

Account Statement for Period Ending 3/31/2014

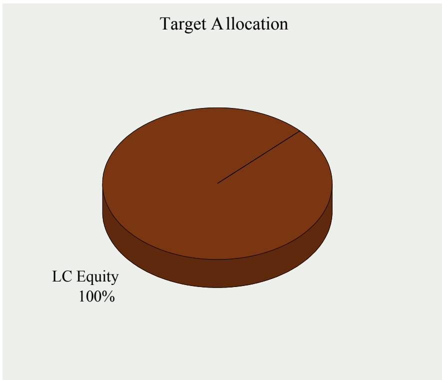
90501

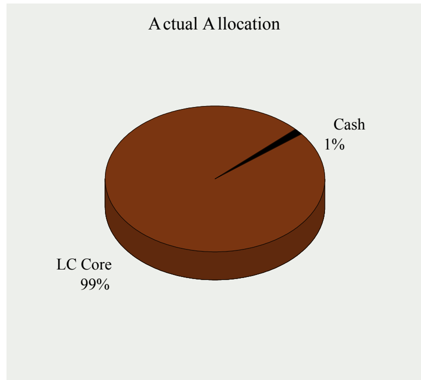
C.S.McKee, L.P.
One Gateway Center
8th Floor
Pittsburgh, PA 15222

(412)566-1234

Visit our website at:
www.csmckee.com

Portfolio Structure





Cash Flow Summary

	QTD 12/31/13 - 3/31/14
Beginning Market Value	$44,608,923
Net Additions/Disbursements	$2,258
Investment Income *(Dividends & Interest)*	$231,658
Portfolio Appreciation (Depreciation) *(Net Realized & Unrealized Gains & Losses)*	$78,281
Ending Market Value	$44,921,120

Performance

Performance start 2/4/1983. Annualized Returns	QTD	1 YR	3 YRS	5 YRS
Total Equities	**0.70**	**22.83**	**12.81**	**19.87**
Blend Index	1.81	21.86	14.64	21.36

Total Equities Blend Index	
05/06/2009	SP500 100%
08/08/2002	R3000 100%

Portfolio Summary

As of: 3/31/2014

Beaver County Employees' Retirement Fund - Equity

Asset Class	Total Cost	Weight at Cost	Market Value	Accrued Income	Total Value	Weight at Market
Domestic Equity	**$29,637,935.75**	**97.98%**	**$44,269,447.49**	**$39,414.00**	**$44,308,861.49**	**98.64%**
Cash	**$612,258.41**	**2.02%**	**$612,258.41**	**$0.00**	**$612,258.41**	**1.36%**
Total Portfolio	**$30,250,194.16**	**100.00%**	**$44,881,705.90**	**$39,414.00**	**$44,921,119.90**	**100.00%**

Portfolio Holdings

As of: 3/31/2014

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Beaver County Employees' Retirement Fund - Equity

Description	Issue	Rating	Shares	Unit Cost	Total Cost	Weight at Cost	Market Price	Market Value	Accrued Income	Total Value	Weight at Market

Domestic Equity

Description	Issue	Rating	Shares	Unit Cost	Total Cost	Weight at Cost	Market Price	Market Value	Accrued Income	Total Value	Weight at Market
Consumer Discretionary											
BORG WARNER INC	COMMON		19,700.00	39.49	777,874.76	2.57%	61.47	1,210,959.00	0.00	1,210,959.00	2.70%
COACH INC	COMMON		15,800.00	56.80	897,426.25	2.97%	49.66	784,628.00	0.00	784,628.00	1.75%
WALT DISNEY CO	COMMON		16,050.00	22.17	355,903.86	1.18%	80.07	1,285,123.50	0.00	1,285,123.50	2.86%
KOHLS CORP	COMMON		9,000.00	52.97	476,719.20	1.58%	56.80	511,200.00	0.00	511,200.00	1.14%
PETSMART INC	COMMON		14,400.00	23.32	335,852.52	1.11%	68.91	992,304.00	0.00	992,304.00	2.21%
STARBUCKS CORP	COMMON		10,100.00	25.79	260,446.17	0.86%	73.38	741,138.00	0.00	741,138.00	1.65%
Consumer Staples											
PHILIP MORRIS INTL	COMMON		5,700.00	38.07	216,980.87	0.72%	81.87	466,659.00	5,358.00	472,017.00	1.05%
WAL MART STORES INC	COMMON		20,200.00	50.47	1,019,471.09	3.37%	76.43	1,543,886.00	9,696.00	1,553,582.00	3.46%
WALGREEN CO	COMMON		15,000.00	43.82	657,319.81	2.17%	66.03	990,450.00	0.00	990,450.00	2.20%
Energy											
CHEVRON CORP	COMMON		10,450.00	57.08	596,524.52	1.97%	118.91	1,242,609.50	0.00	1,242,609.50	2.77%
EOG RESOURCES INC	COMMON		3,000.00	192.22	576,670.20	1.91%	196.17	588,510.00	0.00	588,510.00	1.31%
HALLIBURTON	COMMON		13,400.00	36.99	495,661.93	1.64%	58.89	789,126.00	0.00	789,126.00	1.76%
HESS CORPORATION	COMMON		14,700.00	59.25	870,962.80	2.88%	82.88	1,218,336.00	0.00	1,218,336.00	2.71%
OCCIDENTAL PETE CORP	COMMON		6,800.00	88.00	598,421.48	1.98%	95.29	647,972.00	4,896.00	652,868.00	1.45%
Financials											
AMERN INTL GROUP INC	COMMON		18,500.00	38.71	716,092.45	2.37%	50.01	925,185.00	0.00	925,185.00	2.06%
BANK OF NEW YORK MEL	COMMON		21,800.00	27.59	601,354.86	1.99%	35.29	769,322.00	0.00	769,322.00	1.71%
DISCOVER FINL SVCS	COMMON		15,500.00	57.69	894,157.80	2.96%	58.19	901,945.00	0.00	901,945.00	2.01%
GOLDMAN SACHS GROUP	COMMON		4,600.00	135.46	623,125.20	2.06%	163.85	753,710.00	0.00	753,710.00	1.68%
JPMORGAN CHASE & CO	COMMON		16,100.00	35.07	564,652.76	1.87%	60.71	977,431.00	0.00	977,431.00	2.18%
WELLS FARGO & CO	COMMON		27,500.00	29.12	800,769.75	2.65%	49.74	1,367,850.00	0.00	1,367,850.00	3.05%
Health Care											

Portfolio Holdings

As of: 3/31/2014

90501

Beaver County Employees' Retirement Fund - Equity

Description	Issue	Rating	Shares	Unit Cost	Total Cost	Weight at Cost	Market Price	Market Value	Accrued Income	Total Value	Weight at Market
Health Care											
ABBOTT LABS	COMMON		20,200.00	30.61	618,370.53	2.04%	38.51	777,902.00	0.00	777,902.00	1.73%
CELGENE CORP	COMMON		7,100.00	57.80	410,408.93	1.36%	139.60	991,160.00	0.00	991,160.00	2.21%
EXPRESS SCRIPTS HLDG	COMMON		14,923.00	59.29	884,728.79	2.92%	75.09	1,120,568.07	0.00	1,120,568.07	2.49%
MEDNAX INC	COMMON		12,700.00	60.71	771,017.97	2.55%	61.98	787,146.00	0.00	787,146.00	1.75%
VARIAN MED SYS INC	COMMON		6,800.00	53.53	364,033.24	1.20%	83.99	571,132.00	0.00	571,132.00	1.27%
ZIMMER HOLDINGS	COMMON		9,800.00	67.04	656,988.56	2.17%	94.58	926,884.00	2,156.00	929,040.00	2.07%
COVIDIEN PLC	SHARES		8,175.00	34.44	281,562.66	0.93%	73.66	602,170.50	0.00	602,170.50	1.34%
Industrials											
DEERE & CO	COMMON		9,100.00	84.53	769,202.10	2.54%	90.80	826,280.00	4,641.00	830,921.00	1.85%
DOVER CORP	COMMON		9,200.00	36.10	332,124.31	1.10%	81.75	752,100.00	0.00	752,100.00	1.67%
EMERSON ELEC CO	COMMON		8,700.00	30.99	269,649.18	0.89%	66.80	581,160.00	0.00	581,160.00	1.29%
GENERAL ELECTRIC CO	COMMON		37,850.00	16.30	616,994.00	2.04%	25.89	979,936.50	8,327.00	988,263.50	2.20%
HONEYWELL INTL INC	COMMON		11,100.00	43.10	478,386.58	1.58%	92.76	1,029,636.00	0.00	1,029,636.00	2.29%
KENNAMETAL INC	COMMON		16,700.00	41.46	692,397.42	2.29%	44.30	739,810.00	0.00	739,810.00	1.65%
NORFOLK SOUTHERN	COMMON		8,000.00	31.51	252,080.00	0.83%	97.17	777,360.00	0.00	777,360.00	1.73%
3M COMPANY	COMMON		5,100.00	75.43	384,675.70	1.27%	135.66	691,866.00	0.00	691,866.00	1.54%
TYCO INTL LTD	COMMON		13,375.00	29.36	392,669.15	1.30%	42.40	567,100.00	0.00	567,100.00	1.26%
Information Technology											
APPLE INC	COMMON		3,750.00	431.52	1,618,216.22	5.35%	536.74	2,012,775.00	0.00	2,012,775.00	4.48%
CISCO SYSTEMS INC	COMMON		38,550.00	19.32	744,968.98	2.46%	22.42	864,098.25	0.00	864,098.25	1.92%
EMC CORP MASS	COMMON		43,400.00	22.55	978,818.28	3.24%	27.41	1,189,594.00	4,340.00	1,193,934.00	2.66%
GOOGLE INC	CLASS A		1,650.00	367.48	606,334.99	2.00%	1,114.51	1,838,941.50	0.00	1,838,941.50	4.09%
INTEL CORP	COMMON		48,200.00	22.41	1,079,967.09	3.57%	25.81	1,244,234.80	0.00	1,244,234.80	2.77%
MICROSOFT CORP	COMMON		39,800.00	20.79	827,481.82	2.74%	40.99	1,631,402.00	0.00	1,631,402.00	3.63%
ORACLE CORP	COMMON		19,600.00	28.42	557,098.64	1.84%	40.91	801,836.00	0.00	801,836.00	1.78%
SANDISK CORP	COMMON		8,800.00	51.37	452,033.89	1.49%	81.19	714,472.00	0.00	714,472.00	1.59%
Materials											
FREEPORT-MCMORAN C&G	COMMON		17,700.00	41.28	730,658.71	2.42%	33.07	585,339.00	0.00	585,339.00	1.30%
MONSANTO CO	COMMON		6,000.00	72.87	437,248.80	1.45%	113.77	682,620.00	0.00	682,620.00	1.52%

Portfolio Holdings

As of: 3/31/2014

90501

Beaver County Employees' Retirement Fund - Equity

Description	Issue	Rating	Shares	Unit Cost	Total Cost	Weight at Cost	Market Price	Market Value	Accrued Income	Total Value	Weight at Market
Telecommunication Services											
AT&T INC	COMMON		19,241.00	30.87	593,904.45	1.96%	35.07	674,781.87	0.00	674,781.87	1.50%
Utilities											
PUBLIC SVC ENTERPR	COMMON		15,700.00	31.82	499,526.48	1.65%	38.14	598,798.00	0.00	598,798.00	1.33%
Total Domestic Equity					**$29,637,935.75**	**97.98%**		**$44,269,447.49**	**$39,414.00**	**$44,308,861.49**	**98.64%**
CASH	CASH		612,258.41	1.00	612,258.41	2.02%	1.00	$612,258.41	$0.00	$612,258.41	1.36%
Total Portfolio					**$30,250,194.16**	**100.00%**		**$44,881,705.90**	**$39,414.00**	**$44,921,119.90**	**100.00%**

Portfolio Transactions

December 31, 2013 Through March 31, 2014

Beaver County Employees' Retirement Fund - Equity

Sales

Description	Issue	CUSIP	Trade Date	Shares	Average Price	Total Proceeds	Gain/Loss
Sales							
APACHE CORP	COMMON	037411105	01/29/2014	5,200	80.99	421,037.19	-232,652.21
ABBVIE INC	COMMON	00287Y109	02/28/2014	17,900	51.64	923,940.74	316,343.21
KNOWLES CORPORATION	COMMON STOCK	49926D109	03/19/2014	4,600	32.07	147,424.89	90,808.79
TRANSOCEAN LTD	COMMON	H8817H100	03/25/2014	9,853	40.22	396,037.50	-476,867.54
		Total Sales				**1,888,440.32**	**-302,367.75**
		Total Sales and Principal Payments				**1,888,440.32**	**-302,367.75**

Portfolio Transactions

December 31, 2013 Through March 31, 2014

Beaver County Employees' Retirement Fund - Equity

Purchases

Description	Issue	CUSIP	Trade Date	Shares	Average Price	Total Cost
Purchases						
KENNAMETAL INC	COMMON	489170100	12/31/2013	4,400	52.13	-229,443.72
BORG WARNER INC	COMMON	099724106	01/29/2014	5,500	53.92	-296,657.35
EXPRESS SCRIPTS HLDG	COMMON	30219G108	01/29/2014	3,100	73.83	-228,932.83
MEDNAX INC	COMMON	58502B106	02/28/2014	11,800	60.69	-716,375.64
MEDNAX INC	COMMON	58502B106	03/03/2014	900	60.69	-54,642.33
DISCOVER FINL SVCS	COMMON	254709108	03/19/2014	15,500	57.67	-894,157.80
EOG RESOURCES INC	COMMON	26875P101	03/25/2014	3,000	192.20	-576,670.20
		Total Purchases				**-$2,996,879.87**
		Total Purchases and Principal Payups				**-$2,996,879.87**

Portfolio Transactions

December 31, 2013 Through March 31, 2014

Beaver County Employees' Retirement Fund - Equity

Income

Description	Issue	CUSIP	Pay Date	Proceeds
HESS CORPORATION	COMMON	42809H107	12/31/2013	3,675.00
PUBLIC SVC ENTERPR	COMMON	744573106	12/31/2013	5,652.00
WAL MART STORES INC	COMMON	931142103	01/02/2014	9,494.00
COACH INC	COMMON	189754104	01/03/2014	5,332.50
PHILIP MORRIS INTL	COMMON	718172109	01/10/2014	5,358.00
OCCIDENTAL PETE CORP	COMMON	674599105	01/15/2014	4,352.00
WALT DISNEY CO	COMMON	254687106	01/16/2014	13,803.00
CISCO SYSTEMS INC	COMMON	17275R102	01/22/2014	6,553.50
EMC CORP MASS	COMMON	268648102	01/23/2014	4,340.00
CASH	CASH	CASH	01/24/2014	35.18
GENERAL ELECTRIC CO	COMMON	369604103	01/27/2014	8,327.00
ORACLE CORP	COMMON	68389X105	01/28/2014	2,352.00
JPMORGAN CHASE & CO	COMMON	46625H100	01/31/2014	6,118.00
ZIMMER HOLDINGS	COMMON	98956P102	01/31/2014	1,960.00
MONSANTO CO	COMMON	61166W101	01/31/2014	2,580.00
DEERE & CO	COMMON	244199105	02/03/2014	4,641.00
FREEPORT-MCMORAN C&G	COMMON	35671D857	02/03/2014	5,531.25
AT&T INC	COMMON	00206R102	02/03/2014	8,850.86
BANK OF NEW YORK MEL	COMMON	064058100	02/07/2014	3,270.00
APPLE INC	COMMON	037833100	02/13/2014	11,437.50
PETSMART INC	COMMON	716768106	02/14/2014	2,808.00
ABBVIE INC	COMMON	00287Y109	02/14/2014	7,160.00
ABBOTT LABS	COMMON	002824100	02/15/2014	4,444.00
BORG WARNER INC	COMMON	099724106	02/17/2014	2,462.50
TYCO INTL LTD	COMMON	H89128104	02/19/2014	2,140.00
COVIDIEN PLC	SHARES	G2554F113	02/20/2014	2,616.00
CASH	CASH	CASH	02/21/2014	34.88
STARBUCKS CORP	COMMON	855244109	02/21/2014	2,626.00
APACHE CORP	COMMON	037411105	02/21/2014	1,040.00
SANDISK CORP	COMMON	80004C101	02/24/2014	1,980.00

Portfolio Transactions

December 31, 2013 Through March 31, 2014

Beaver County Employees' Retirement Fund - Equity

Income

Description	Issue	CUSIP	Pay Date	Proceeds
KENNAMETAL INC	COMMON	489170100	02/26/2014	3,006.00
WELLS FARGO & CO	COMMON	949746101	03/01/2014	8,250.00
INTEL CORP	COMMON	458140100	03/01/2014	10,845.00
CHEVRON CORP	COMMON	166764100	03/10/2014	10,450.00
HONEYWELL INTL INC	COMMON	438516106	03/10/2014	4,995.00
EMERSON ELEC CO	COMMON	291011104	03/10/2014	3,741.00
NORFOLK SOUTHERN	COMMON	655844108	03/10/2014	4,320.00
WALGREEN CO	COMMON	931422109	03/12/2014	4,725.00
3M COMPANY	COMMON	88579Y101	03/12/2014	4,360.50
MICROSOFT CORP	COMMON	594918104	03/13/2014	11,144.00
TRANSOCEAN LTD	COMMON	H8817H100	03/19/2014	5,517.68
CASH	CASH	CASH	03/21/2014	27.79
AMERN INTL GROUP INC	COMMON	026874784	03/25/2014	2,312.50
KOHLS CORP	COMMON	500255104	03/26/2014	3,510.00
HALLIBURTON	COMMON	406216101	03/26/2014	2,010.00
GOLDMAN SACHS GROUP	COMMON	38141G104	03/28/2014	2,530.00
COACH INC	COMMON	189754104	03/31/2014	5,332.50
HESS CORPORATION	COMMON	42809H107	03/31/2014	3,675.00
DOVER CORP	COMMON	260003108	03/31/2014	3,450.00
PUBLIC SVC ENTERPR	COMMON	744573106	03/31/2014	5,809.00
		Total Income		**$240,985.14**

Portfolio Transactions

December 31, 2013 Through March 31, 2014

Beaver County Employees' Retirement Fund - Equity

Other

Description	Issue	CUSIP	Transaction Type	Trade Date	Shares	Average Price	Proceeds/ Distributions	Gain/Loss
CASH	CASH	CASH	Cash Deposit	01/10/2014	740	1.00	740.18	0.00
CASH	CASH	CASH	Cash Withdrawal	01/15/2014	740	1.00	-740.18	0.00
CASH	CASH	CASH	Cash Deposit	01/15/2014	751	1.00	750.78	0.00
CASH	CASH	CASH	Cash Deposit	02/10/2014	758	1.00	758.07	0.00
CASH	CASH	CASH	Cash Withdrawal	02/14/2014	758	1.00	-758.07	0.00
CASH	CASH	CASH	Cash Deposit	02/14/2014	748	1.00	747.71	0.00
DOVER CORP	COMMON	260003108	Historical Cost Adjustment	03/03/2014	56,616	1.00	56,616.10	0.00
KNOWLES CORPORATION	COMMON STOCK	49926D109	Share Exchange	03/03/2014	4,600	12.31	-56,616.10	0.00
CASH	CASH	CASH	Cash Deposit	03/12/2014	759	1.00	759.27	0.00
		Total Other					**2,257.76**	**0.00**

Beaver County Employees' Retirement Fund - Fixed

Account Statement for Period Ending 3/31/2014

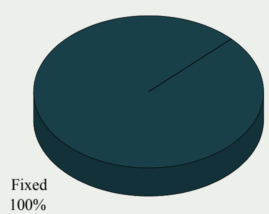
90502

C.S.McKee, L.P.
One Gateway Center
8th Floor
Pittsburgh, PA 15222

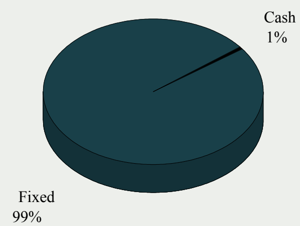
(412)566-1234

Portfolio Structure

Target Allocation



Actual Allocation



Cash Flow Summary

	QTD 12/31/13 - 3/31/14
Beginning Market Value	$33,178,581
Net Additions/Disbursements	$903
Investment Income *(Dividends & Interest)*	$216,440
Portfolio Appreciation (Depreciation) *(Net Realized & Unrealized Gains & Losses)*	$219,948
Ending Market Value	$33,615,873

Performance

Performance start 12/31/1986. Annualized Returns	QTD	YTD	1 YR	3 YRS	5 YRS
Fixed Income	**1.32**	**1.32**	**0.25**	**3.36**	**4.96**
Blend Index	1.20	1.20	0.01	3.20	4.47

Fixed Income Blend Index

08/01/2011 BCIAGG 100%
04/01/2000 BCAGG 100%

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Portfolio Summary

As of: 3/31/2014

Beaver County Employees' Retirement Fund - Fixed

	3/31/2014 Market Value	3/31/2014 Weight	12/30/2013 Market Value	12/30/2013 Weight	Weight Change
Fixed Income	**$33,615,873.00**	**100.00**	**$33,197,721.68**	**100.00**	**0.00**
Cash	179,056.30	0.53	471,573.03	1.42	-0.89
Asset Backed Securities	1,515,747.62	4.51	1,460,875.58	4.40	0.11
CMO	2,682,273.98	7.98	3,234,957.03	9.74	-1.77
Commercial MBS	2,747,702.20	8.17	3,145,965.09	9.48	-1.30
Corporates	9,025,937.74	26.85	8,182,465.04	24.65	2.20
Mortgage Backed Securities	4,834,587.24	14.38	5,209,283.06	15.69	-1.31
Other Government	580,107.19	1.73	568,971.95	1.71	0.01
US Agencies	5,263,307.37	15.66	4,614,550.73	13.90	1.76
US Treasuries	6,787,153.35	20.19	6,309,080.17	19.00	1.19
REPORT TOTALS	**$33,615,873.00**		**$33,197,721.68**		

Portfolio Holdings

As of: 3/31/2014

Beaver County Employees' Retirement Fund - Fixed

Description	Issue	Rating	Market Value	Description	Issue	Rating	Market Value
Asset Backed Securities							
CITI OMNI MSTR TALF	5.350 AUG 15 18	Aaa	256,324	FRS I LLC 2013-1	1.800 APR 15 43	A	170,054
HLSS SVCR AD RECV TR	2.734 MAY 15 46	AA	295,512	NAVISTAR FIN DEALER	0.834 SEP 25 18	Aaa	301,455
SLM PRIVATE ST LN TR	0.433 JUN 15 21	AA-	90,490	SLM PRIV ED LN TR	0.755 AUG 15 22	AAA	136,086
SLM PRIV ED LN TR	0.805 JUL 15 22	AAA	265,827				
CMO							
GNMA REMIC TRUST	4.500 APR 20 37	AA+	135,248	GNMA REMIC TRUST	4.500 AUG 20 37	AA+	41,449
GNMA REMIC TRUST	4.500 OCT 20 37	AA+	194,146	GNMA REMIC TRUST	3.000 OCT 20 39	AA+	199,267
GNMA REMIC TRUST	3.500 DEC 20 39	AA+	158,573	GNMA REMIC TRUST	3.000 AUG 20 39	AA+	100,953
GNMA REMIC TRUST	4.250 SEP 20 33	AA+	101,553	GNMA REMIC TRUST	2.000 MAY 20 40	AA+	83,889
GNMA REMIC TRUST	3.500 JUL 20 40	AA+	68,667	GNMA REMIC TRUST	2.500 DEC 20 42	AA+	104,246
FHLMC REMIC SERIES	2.750 NOV 15 28	AA+	47,417	FHLMC REMIC SERIES	4.500 MAY 15 40	AA+	36,172
FHLMC REMIC SERIES	4.000 MAR 15 37	AA+	121,833	FNMA REMIC TRUST	0.504 MAY 25 42	AA+	252,954
FHLMC REMIC SERIES	5.000 NOV 15 23	AA+	54,492	FHLMC REMIC SERIES T	1.532 JUL 25 44	AA+	228,218
FNMA REMIC TRUST	4.000 MAR 25 19	AA+	221,913	FHLMC REMIC SERIES	5.500 DEC 15 17	AA+	6,442
FNMA REMIC TRUST	2.750 JUN 25 20	AA+	86,842	FNMA REMIC TRUST	4.000 OCT 25 36	AA+	63,910
FNMA REMIC TRUST	3.500 SEP 25 36	AA+	37,046	FHLMC REMIC SERIES	4.000 JUL 15 23	AA+	109,729
FNMA REMIC TRUST	3.000 JAN 25 40	AA+	75,358	FNMA REMIC TRUST	2.500 APR 25 40	AA+	92,021
FNMA REMIC TRUST	2.000 JUL 25 41	AA+	43,593	FHLMC REMIC SERIES	4.500 JAN 15 33	AA+	16,344
Commercial MBS							
EXTENDED STAY AMER T	0.853 DEC 05 31	AAA	200,247	EXTENDED STAY AMER T	1.278 DEC 05 31	AAA	97,960
COMM MTG TR	4.258 AUG 12 50	Aaa	211,653	BEAR STEARNS CMBS	5.405 DEC 11 40	AAA	193,911
BANC AMER CMBS 2005-	5.350 SEP 10 47	AAA	133,670	BANC AMER CMBS 2005-	4.933 JUL 10 45	AAA	41,889
FHLMC REMIC SERIES	2.323 OCT 25 18	AA+	96,779	GS MTG COML 2005-GG4	4.761 JUL 10 39	AAA	123,967
GE CAP CMBS 2004-C3	5.189 JUL 10 39	AAA	111,242	JP MORGAN COM MTG	4.895 SEP 12 37	Aaa	109,610
JP MORGAN COM MTG 20	5.405 DEC 15 44	AAA	160,089	TIMBERSTAR TRUST	5.668 OCT 15 36	AAA	240,488
UBS-BARCLY COML MTG	2.687 MAR 12 46	Aaa	118,766	WF-RBS COML MTG TR	4.869 FEB 18 44	Aaa	304,868
WACHOVIA CMBS 2007-C	5.929 JUN 15 49	AAA	27,752	UBS-BARCLY COML MTG	3.244 APR 12 46	Aaa	204,478
VNDO MTG TR	2.996 NOV 15 30	AAA	192,816	VNDO MTG TR	3.808 DEC 13 29	AAA	177,517
Corporates							

Portfolio Holdings

As of: 3/31/2014

Beaver County Employees' Retirement Fund - Fixed

Description	Issue	Rating	Market Value	Description	Issue	Rating	Market Value
Corporates							
VERIZON COMMUNICATIO	3.450 MAR 15 21	BBB+	162,420	UNION PACIFIC RR CO	8.000 JAN 10 21	AA	141,413
U S BANCORP MTNS BK	1.650 MAY 15 17	A+	179,252	U S BANCORP MTN SUB	2.950 JUL 15 22	A	221,697
WELLS FARGO & CO NEW	5.625 DEC 11 17	A+	187,592	US BK NATL ASSN MINN	1.100 JAN 30 17	AA-	250,946
ROYAL BANK OF CANADA	2.150 MAR 15 19	AA-	175,061	TEXAS INSTRS INC	2.750 MAR 12 21	A+	77,560
SHELL INTERNATIONAL	2.375 AUG 21 22	AA	115,199	PACIFICORP	3.850 JUN 15 21	A	236,274
PEPSICO INC	7.900 NOV 01 18	A-	114,668	PHILIP MORRIS INTL I	5.650 MAY 16 18	A	248,759
MICROSOFT CORP	4.200 JUN 01 19	AAA	242,445	NATIONAL RURAL UTILS	10.375 NOV 01 18	A+	137,793
INTL BUSINESS MCHN	5.700 SEP 14 17	AA-	166,330	JPMORGAN CHASE & CO	2.350 JAN 28 19	A	319,161
DISNEY WALT CO MTNS	3.750 JUN 01 21	A	182,892	GOOGLE INC	3.625 MAY 19 21	AA	206,771
GENERAL ELEC CAP COR	4.625 JAN 07 21	AA+	511,492	GEORGE WASHINGTON UN	4.452 SEP 15 21	A+	36,234
GEORGE WASHINGTON UN	1.827 SEP 15 17	A+	249,566	GLAXOSMITHKLINE CAP	5.650 MAY 15 18	A+	137,919
GOLDMAN SACHS GROUP	2.375 JAN 22 18	A-	134,497	BANK AMER CORP	2.600 JAN 15 19	A-	232,188
BARCLAYS BK PLC	2.500 FEB 20 19	A	301,400	AT&T INC	1.600 FEB 15 17	A-	144,264
AMAZON COM INC	1.200 NOV 29 17	AA-	253,524	AMAZON COM INC	0.650 NOV 27 15	AA-	47,206
AMERICAN EXPRESS CR	2.800 SEP 19 16	A-	137,796	AMER HONDA FIN CORP	1.000 AUG 11 15	A+	243,746
ANHEUSER BUSCH INBEV	7.750 JAN 15 19	A	232,234	ANHEUSER-BUSCH INBEV	3.700 FEB 01 24	A	162,715
APPLE INC	2.400 MAY 03 23	AA+	91,847	BB&T CORPORATION	2.150 MAR 22 17	A-	145,376
BP CAP MKTS P L C	3.200 MAR 11 16	A	264,632	BNSF RAILWAY CO 2006	5.720 JAN 15 24	A+	64,392
BURLINGTON NORTHN SA	8.251 JAN 15 21	A+	29,591	CITIGROUP INC	FLTG APR 01 14	A-	12,035
CITIGROUP INC	4.450 JAN 10 17	A-	261,640	CSX TRANS INC 2007-1	6.251 JAN 15 23	A+	74,184
CSX TRANSN INC	8.375 OCT 15 14	A+	191,780	CATERPILLAR INC DEL	7.900 DEC 15 18	A	296,490
CHEVRON CORP NEW	2.355 DEC 05 22	AA	143,056	EXXON MOBIL CORP	1.819 MAR 15 19	AAA	132,128
CONOCOPHILLIPS	5.750 FEB 01 19	A	279,040	COCA COLA CO	3.150 NOV 15 20	AA	590,137
COMCAST CORP NEW	6.300 NOV 15 17	A-	258,595				
Mortgage Backed Securities							
FNMA PASSTHRU 535208	7.000 MAR 01 15	AA+	184	FNMA PASSTHRU 546549	8.000 JUL 01 30	AA+	2,206
FNMA PASSTHRU 549444	7.000 AUG 01 30	AA+	5,068	FNMA PASSTHRU 549601	7.000 AUG 01 30	AA+	1,285
FNMA PASSTHRU 572224	7.000 MAR 01 31	AA+	3,000	FNMA PASSTHRU AH0897	4.500 DEC 01 40	AA+	184,800
FNMA PASSTHRU AH0257	4.000 DEC 01 40	AA+	26,837	FNMA PASSTHRU AH1030	4.500 DEC 01 40	AA+	292,901

Portfolio Holdings

As of: 3/31/2014

Beaver County Employees' Retirement Fund - Fixed

Description	Issue	Rating	Market Value	Description	Issue	Rating	Market Value
Mortgage Backed Securities							
FNMA PASSTHRU AH3586	4.000 JAN 01 41	AA+	82,024	FNMA PASSTHRU AH3394	4.000 JAN 01 41	AA+	126,368
FNMA PASSTHRU AH9719	4.500 APR 01 41	AA+	283,728	FNMA PASSTHRU AI3507	4.500 JUN 01 41	AA+	124,370
FNMA PASSTHRU AI5888	4.000 JUL 01 41	AA+	199,648	FNMA PASSTHRU AJ4410	4.000 OCT 01 41	AA+	52,856
FNMA PASSTHRU AL0160	4.500 MAY 01 41	AA+	72,688	FNMA PASSTHRU AL0583	6.500 OCT 01 39	AA+	63,532
FNMA PASSTHRU AL1083	4.500 JUL 01 26	AA+	221,370	FNMA PASSTHRU AO8044	3.500 JUL 01 42	AA+	143,341
FNMA PASSTHRU AV0820	4.000 OCT 01 43	AA+	83,088	FNMA PASSTHRU 252977	7.000 JAN 01 15	AA+	43
FNMA PASSTHRU 253480	7.500 OCT 01 30	AA+	597	FNMA PASSTHRU 253678	6.500 FEB 01 16	AA+	1,849
FNMA PASSTHRU 254693	5.500 APR 01 33	AA+	50,992	FNMA PASSTHRU 323600	8.000 NOV 01 28	AA+	3,235
FHLMC PC GUA 847645	2.326 DEC 01 36	AA+	113,648	FHLMC PC GOL G12548	5.500 JAN 01 22	AA+	107,498
FHLMC PC GOL C91244	4.500 APR 01 29	AA+	134,717	FHLMC PC GOL J11377	4.500 DEC 01 24	AA+	297,091
FHLMC PC GOL J18448	3.000 APR 01 22	AA+	132,617	FHLMC PC GOL C00921	7.500 FEB 01 30	AA+	945
FHLMC PC GOL A96413	4.000 JAN 01 41	AA+	65,912	FHLMC PC GOL A20475	5.000 APR 01 34	AA+	84,691
FHLMC PC GOL C40561	8.500 JUL 01 30	AA+	372	FHLMC PC GOL Q08810	3.500 JUN 01 42	AA+	128,327
FHLMC PC GOL C90899	5.500 MAY 01 25	AA+	200,669	GNMA PASSTHRU MA1175	1.500 JUL 20 43	AA+	146,942
GNMA PASSTHRU 455967	7.000 MAR 15 28	AA+	3,630	GNMA PASSTHRU 472969	6.500 JUN 15 29	AA+	2,973
GNMA PASSTHRU 479519	8.000 AUG 15 30	AA+	216	GNMA PASSTHRU 490215	7.000 JUL 15 29	AA+	1,924
FNMA PASS-THRU ADJ	FLTG JAN 01 33	AA+	595	FNMA PASSTHRU 686004	2.355 JAN 01 33	AA+	1,923
FNMA PASSTHRU 725027	5.000 NOV 01 33	AA+	45,749	FNMA PASSTHRU 754755	2.420 JAN 01 34	AA+	16,476
FNMA PASSTHRU 765675	2.277 FEB 01 34	AA+	13,568	FNMA PASSTHRU 832254	2.349 AUG 01 35	AA+	3,855
FNMA PASSTHRU 888595	5.000 JAN 01 22	AA+	61,548	FNMA PASSTHRU 889735	5.500 JUL 01 23	AA+	89,066
FNMA PASSTHRU 896476	2.397 MAY 01 36	AA+	79,607	FNMA PASSTHRU 932389	4.500 JAN 01 40	AA+	79,475
FNMA PASSTHRU 995113	5.500 SEP 01 36	AA+	24,904	FNMA PASSTHRU MA0774	3.000 JUN 01 21	AA+	128,519
FNMA PASSTHRU MA0047	4.500 APR 01 19	AA+	120,708	FNMA PASSTHRU MA0907	4.000 NOV 01 41	AA+	124,425
FNMA PASSTHRU MA0909	3.000 NOV 01 21	AA+	116,132	FNMA PASSTHRU AD0250	5.500 APR 01 35	AA+	78,396
FNMA PASSTHRU AD3832	4.500 APR 01 25	AA+	73,047	FNMA PASSTHRU AD6960	4.500 JUL 01 40	AA+	61,031
FNMA PASSTHRU AE0387	5.500 JAN 01 21	AA+	119,387	FNMA PASSTHRU AE0731	4.500 MAY 01 22	AA+	72,587
FNMA PASSTHRU AE7582	4.500 NOV 01 40	AA+	75,404				
Other Government							
FLORIDA HURRICANE CA	1.298 JUL 01 16	AA-	111,389	QUEBEC PROV	2.625 FEB 13 23	A+	377,731

Portfolio Holdings

As of: 3/31/2014

Beaver County Employees' Retirement Fund - Fixed

Description	Issue	Rating	Market Value	Description	Issue	Rating	Market Value
Other Government							
UNIVERSITY ILL UNIV	3.324 APR 01 17	AA-	90,987				
US Agencies							
BK INDIA NY FDIC CD	0.900 JAN 25 16	AA+	60,362	GE RETAIL BK FDIC CD	1.850 APR 27 17	AA+	248,468
GE CAPITL BK FDIC CD	1.750 MAY 04 17	AA+	249,781	GOLD SACHS FDIC CD	1.850 MAY 02 17	AA+	190,580
GOLD SACHS FDIC CD	1.850 MAY 09 17	AA+	58,374	GOLD SACHS FDIC CD	1.800 AUG 01 17	AA+	309,392
FEDERAL HOME LOAN BA	1.000 MAY 15 23 SU	AA+	253,239	FEDERAL HOME LOAN BA	1.000 MAY 15 23 SU	AA+	246,236
FEDERAL NTL MTG ASSN	2.500 FEB 22 23	AA+	348,541	FEDERAL NTL MTG ASSN	0.625 AUG 28 17 SU	AA+	349,290
FEDERAL NTL MTG ASSN	1.500 AUG 14 23 SU	AA+	750,109	COMPASS BK BIRMINGHA	1.900 NOV 06 18	AA+	246,955
DISCOVER BK FDIC CD	1.750 MAY 02 17	AA+	243,992	CIT BANK FDIC CD	2.050 AUG 01 19	AA+	168,004
BMW USA BK FDIC CD	1.000 SEP 21 15	AA+	631,059	AMEX CENT BK FDIC CD	1.700 JUL 26 17	AA+	247,885
AMEX CENT BK FDIC CD	1.700 AUG 02 17	AA+	419,669	BARCLAYS BK USA FDIC	0.000 MAR 26 18	AA+	241,369
US Treasuries							
UNITED STATES TREAS	2.000 NOV 30 20	AA+	1,835,643	UNITED STATES TREAS	0.625 JAN 15 24	AA+	268,910
UNITED STATES TREAS	2.125 JAN 31 21	AA+	313,032	UNITED STATES TREAS	2.750 FEB 15 24	AA+	240,340
UNITED STATES TREAS	2.000 FEB 28 21	AA+	46,190	UNITED STATES TREAS	0.500 APR 15 15	AA+	771,405
UNITED STATES TREAS	0.125 APR 15 16	AA+	83,842	UNITED STATES TREAS	0.875 FEB 28 17	AA+	999,840
UNITED STATES TREAS	1.625 AUG 15 22	AA+	333,606	UNITED STATES TREAS	0.125 APR 15 18	AA+	303,251
UNITED STATES TREAS	1.750 MAY 15 23	AA+	421,731	UNITED STATES TREAS	1.250 OCT 31 18	AA+	1,169,363
CASH			***179,056***				

Portfolio Transactions

December 31, 2013 through March 31, 2014

Beaver County Employees' Retirement Fund - Fixed

	Comments	% of Product	Proceeds/ Distributions	Gain/Loss
Additions / Disbursements				
Cash Deposit			2,324	
Cash Withdrawal			-1,421	
Investment Income				
Interest			216,440	
Purchases / Principal Payups				
Fixed Income				
Asset Backed Securities			-98,563	
Corporates			-2,164,741	
US Agencies			-2,995,395	
US Treasuries			-3,983,490	
Sales / Principal Paydowns / Maturities				
Fixed Income				
Asset Backed Securities			39,893	471
CMO			559,194	1,242
Commercial MBS			405,606	-3,176
Corporates			1,376,959	17,467
Mortgage Backed Securities			373,365	-5,605
US Agencies			2,374,433	-14,191
US Treasuries			3,585,294	-5,695

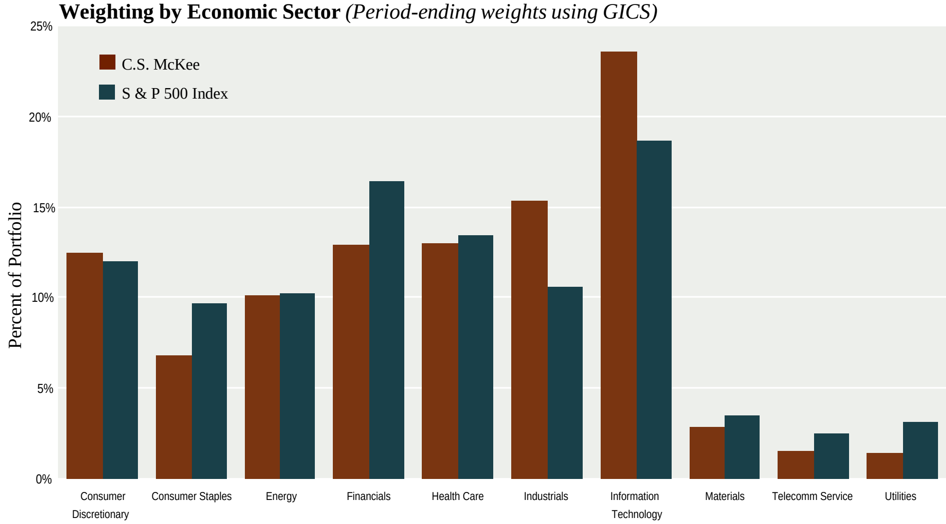
PORTFOLIO CHARACTERISTICS, *Large-Cap Core Equity*

Quarter ending March 31, 2014

Benchmark Comparisons

	C. S. McKee	S&P 500	Variance
Number of Holdings	48	500	-452
Weighted Average Capitalization ($Mil)	127,369	116,846	+10,523
Mean Capitalization ($Mil)	96,169	35,415	+60,754
Median Capitalization ($Mil)	56,126	16,984	+39,142
Yield (%)	1.97	2.01	-0.04
Beta (Volatility)	1.12	1.00	+0.12
R-Squared (Risk due to Market)	0.96	1.00	-0.04
5-Year Standard Deviation (Variability)	15.28	13.88	+1.40
Price-to-Book	2.38	2.63	-0.25
Turnover (Trailing 12 Months)	9.98		
Price-to-Earnings Ratios:			
Trailing 12-Month P/E Ratio	15.8	17.3	-1.5
2014 Forecast P/E Ratio	14.3	15.3	-1.0
2015 Forecast P/E Ratio	13.3	14.3	-1.0
EPS Growth - Next 5 Years (%)	12.5	11.5	+1.0

Weighting by Economic Sector *(Period-ending weights using GICS)*



Best & Worst Contributors to Performance*/Top Holdings & Transactions

Top 5 Contributors	*% Contribution*	*% Return*
Microsoft	0.35	10.33
Walgreen Company	0.31	15.50
Wells Fargo & Company	0.29	10.30
BorgWarner	0.28	10.20
Halliburton	0.26	16.24

Bottom 5 Contributors	*% Contribution*	*% Return*
Celgene	(0.48)	(17.38)
Coach	(0.23)	(10.91)
Kennametal	(0.22)	(14.57)
Apple	(0.20)	(3.77)
Transocean	(0.19)	(16.71)

Top 10 Holdings		*% of Portfolio*
Apple	AAPL	4.89
Google	GOOG	4.06
Microsoft	MSFT	3.64
Wal-Mart Stores	WMT	3.46
Wells Fargo & Company	WFC	3.05
Walt Disney Company	DIS	2.86
Intel	INTC	2.77
Chevron	CVX	2.76
Hess	HES	2.72
BorgWarner	BWA	2.69

Transactions

Buys

New Positions: MEDNAX (MD)
Discover Financial (DFS)
EOG Resources (EOG)

Additions: BorgWarner (BWA)
Express Scripts (ESRX)

Sales

Full Positions: Apache (APA)
AbbVie (ABBV)
Knowles (KN)
Transocean (RIG)

Diversification by Market Capitalization

	C. S. McKee		S&P 500	
	Stocks	*% of Portfolio*	*Stocks*	*% of Index*
Less than $5.0 Billion	1	1.2	23	0.6
$5.0 to $10.0 Billion	3	5.3	105	4.5
$10.0 to $25.0 Billion	8	13.7	195	17.8
$25.0 to $50.0 Billion	8	14.2	89	17.3
Over $50.0 Billion	28	65.6	88	59.8
	48	100.0	500	100.0

Model accounts are used to produce characteristics and performance attribution for the C. S. McKee products. Adjustments are made to account for timing differences in the transactions and to balance to the actual time-weighted composite figure. Past security contributions to performance are not indicative of future results and client results may vary significantly.

The above information is shown as supplemental information and complements the composite disclosure presentation. Please see full disclosure information at the end of this presentation.

** For information on the contribution calculation methodology and a list of every holding's contribution to the overall account's performance during the measurement period, please contact C. S. McKee at 412-566-1234.*

PERFORMANCE ATTRIBUTION

Large-Cap Core Equity Composite Return of 0.68%

Quarter ended March 31, 2014

	McKee Sector Return	*S&P 500 Sector Return*	*McKee Weighting**	*S&P 500 Weighting**	*Stock Variance*	*Sector Variance*	*Total*
Consumer Discretionary	-0.77	-2.70	12.04	12.76	0.28	0.03	0.31
Consumer Staples	2.48	0.50	6.69	9.58	0.13	0.04	0.17
Energy	0.08	0.79	9.87	10.06	-0.10	0.00	-0.10
Financials	2.09	2.60	10.85	16.23	-0.05	-0.06	-0.11
Health Care	-0.88	5.78	13.44	13.45	-0.87	0.01	-0.86
Industrials	-1.70	0.11	15.39	10.77	-0.30	-0.08	-0.38
Information Technology	3.14	2.32	23.30	18.35	0.19	0.03	0.22
Materials	-6.69	2.86	2.89	3.50	-0.29	-0.01	-0.30
Telecommunication Services	1.08	0.40	1.47	2.31	0.01	0.00	0.01
Utilities	20.27	10.02	1.24	2.99	0.11	-0.14	-0.03
Cash	0.01	0.01	2.82	0.00	0.00	-0.06	-0.06
Total Returns/Variances	**0.68**	**1.81**	**100.00**	**100.00**	**-0.89**	**-0.24**	**-1.13**

** Average daily weights during the time period presented using a GICS-based classification, but adjusted in limited instances. For detail on the adjustments, please contact helpdesk@csmckee.com.*

The above information is shown as supplemental information and complements the composite disclosure presentation. Please see full disclosure information at the end of this presentation.

Portfolio Characteristics, *Fixed Income* Beaver County Employees' Retirement Fund - Fixed

As of: 3/31/2014

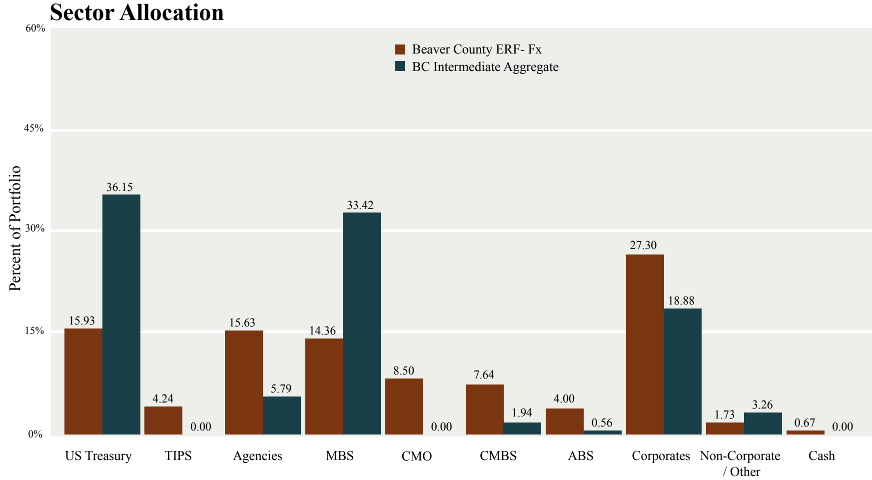
Duration, Maturity, Coupon and Yield

	Beaver County ERF- Fx	*BC Intermediate Aggregate*	*Difference*
Effective Duration	3.95 yrs.	4.41 yrs.	-0.46 yrs.
Average Convexity	-0.09	-0.32	0.23
Average Maturity	4.64 yrs.	5.32 yrs.	-0.68 yrs.
Yield to Maturity	2.10 %	2.11 %	-0.01 %
Average Coupon	2.82 %	3.05 %	-0.23 %
Average Quality	Aa1	Aa1	N/A

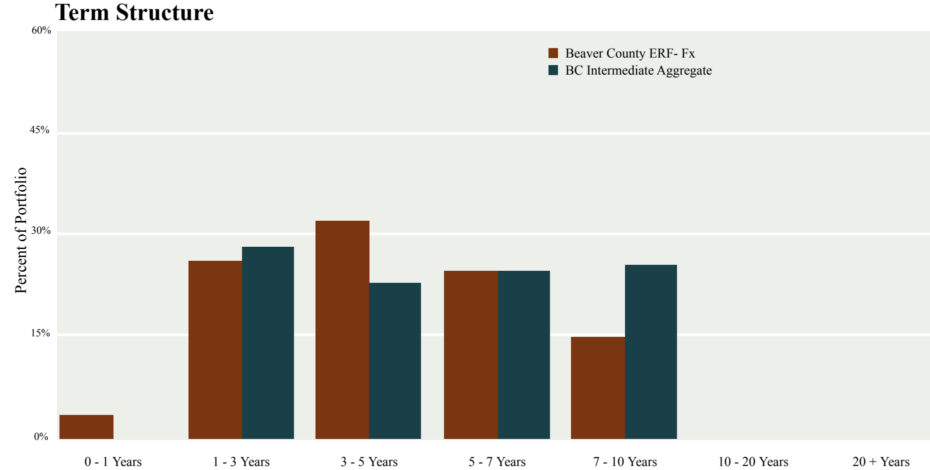
Security Selection, *Top 10 Largest Holdings*

Issuer	*Coupon*	*Maturity*	*Sector*	*% of Portfolio*
UNITED STATES TREAS	2.000	11/30/2020	US Treasuries	5.45
UNITED STATES TREAS	1.250	10/31/2018	US Treasuries	3.48
UNITED STATES TREAS	0.875	02/28/2017	US Treasuries	2.99
UNITED STATES TREAS	0.500	04/15/2015	US Treasuries	2.30
FEDERAL NTL MTG ASSN	1.500	08/14/2023	US Agencies	2.24
BMW USA BK FDIC CD	1.000	09/21/2015	US Agencies	1.89
COCA COLA CO	3.150	11/15/2020	Corporates	1.74
GENERAL ELEC CAP COR	4.625	01/07/2021	Corporates	1.51
UNITED STATES TREAS	1.750	05/15/2023	US Treasuries	1.25
AMEX CENT BK FDIC CD	1.700	08/02/2017	US Agencies	1.25

Sector Allocation



Term Structure



PERFORMANCE ATTRIBUTION, *Intermediate Aggregate Fixed Income*

	First Quarter	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
CS McKee Intermediate Aggregate	1.31	-0.60	3.87	6.59	5.89	7.83	7.15	7.72	5.55	3.24	4.47	4.25	9.33
Barclays Intermediate Aggregate Index	1.20	-1.02	3.56	5.97	6.15	6.46	4.86	7.02	4.58	2.01	3.74	3.81	9.49
Relative Performance	**0.11**	**0.42**	**0.31**	**0.62**	**-0.26**	**1.37**	**2.29**	**0.70**	**0.97**	**1.23**	**0.73**	**0.44**	**-0.16**
Relative Performance Breakdown													
Duration Decision	**-0.120**	**0.165**	**-0.350**	**-0.545**	**-0.080**	**-0.220**	**0.030**	**-0.050**	**0.250**	**0.160**	**-0.070**	**0.020**	**-0.440**
Yield Curve Decision	**0.010**	**0.055**	**0.150**	**0.225**	**-0.170**	**0.010**	**0.100**	**-0.060**	**0.000**	**0.160**	**0.130**	**-0.030**	**-0.200**
Sector Allocation Decision	**0.115**	**0.130**	**1.000**	**0.120**	**0.200**	**1.950**	**0.420**	**0.770**	**-0.105**	**0.160**	**-0.410**	**-0.200**	**0.090**
US Agency Debt	*0.010*	*0.010*	*0.095*	*0.065*	*0.150*	*0.220*	*-0.275*	*-0.210*	*0.375*	*0.120*	*0.250*	*0.010*	*0.050*
US Agency MBS/CMO	*0.025*	*-0.085*	*-0.100*	*0.135*	*-0.540*	*-1.160*	*0.920*	*0.510*	*-0.350*	*0.050*	*-0.610*	*-0.090*	*0.020*
Corporate Bonds	*0.050*	*0.170*	*0.490*	*-0.140*	*0.120*	*1.420*	*0.090*	*0.190*	*-0.080*	*0.000*	*-0.050*	*-0.120*	*0.020*
Other Government Bonds	*-0.020*	*-0.015*	*-0.220*	*0.070*	*0.000*	*0.000*	*0.000*	*0.000*	*0.000*	*0.000*	*0.000*	*0.000*	*0.000*
ABS	*0.005*	*0.005*	*0.025*	*0.005*	*0.050*	*0.070*	*0.100*	*0.060*	*-0.010*	*0.000*	*0.000*	*0.000*	*0.000*
CMBS	*0.045*	*0.045*	*0.710*	*-0.015*	*0.420*	*1.400*	*-0.415*	*0.220*	*-0.040*	*-0.010*	*0.000*	*0.000*	*0.000*
Security Selection Decision	**0.105**	**0.070**	**-0.490**	**0.820**	**-0.210**	**-0.370**	**1.740**	**0.040**	**0.825**	**0.750**	**1.080**	**0.650**	**0.390**
US Treasury (US TIPS)	*0.005*	*-0.030*	*0.090*	*0.305*	*-0.140*	*1.500*	*-0.500*	*0.050*	*0.020*	*0.060*	*0.020*	*0.100*	*0.080*
US Agency Debt	*0.095*	*0.235*	*0.330*	*0.435*	*0.430*	*-0.180*	*0.460*	*-0.320*	*0.730*	*0.680*	*0.970*	*0.420*	*0.400*
US Agency MBS/CMO	*0.045*	*0.145*	*-0.005*	*-0.160*	*0.040*	*0.000*	*-0.280*	*0.000*	*0.000*	*0.000*	*0.000*	*0.000*	*0.000*
Corporate Bonds	*-0.020*	*-0.260*	*-0.430*	*0.405*	*0.270*	*-0.350*	*1.065*	*0.340*	*0.000*	*0.035*	*0.190*	*0.350*	*0.340*
Other Government Bonds	*0.000*	*-0.010*	*0.000*	*0.000*	*0.000*	*0.000*	*0.000*	*0.000*	*0.000*	*0.000*	*0.000*	*0.000*	*0.000*
ABS	*0.000*	*0.000*	*-0.045*	*-0.025*	*0.000*	*-0.190*	*-0.170*	*0.000*	*0.000*	*0.000*	*0.000*	*0.000*	*0.000*
CMBS	*-0.020*	*-0.010*	*-0.430*	*-0.140*	*-0.810*	*-1.150*	*1.165*	*-0.030*	*0.075*	*-0.025*	*-0.100*	*-0.220*	*-0.430*

Economic expansion. At its five-year anniversary in June, the current expansion will be the fifth longest since the Civil War.

GDP growth should approach 3% in 2014 as the drag from higher taxes and reduced government spending fades and capital spending and labor growth accelerates.

Consumer prices increases will average near 2% by year end, supported by modest wage growth, but partially offset by low energy prices.

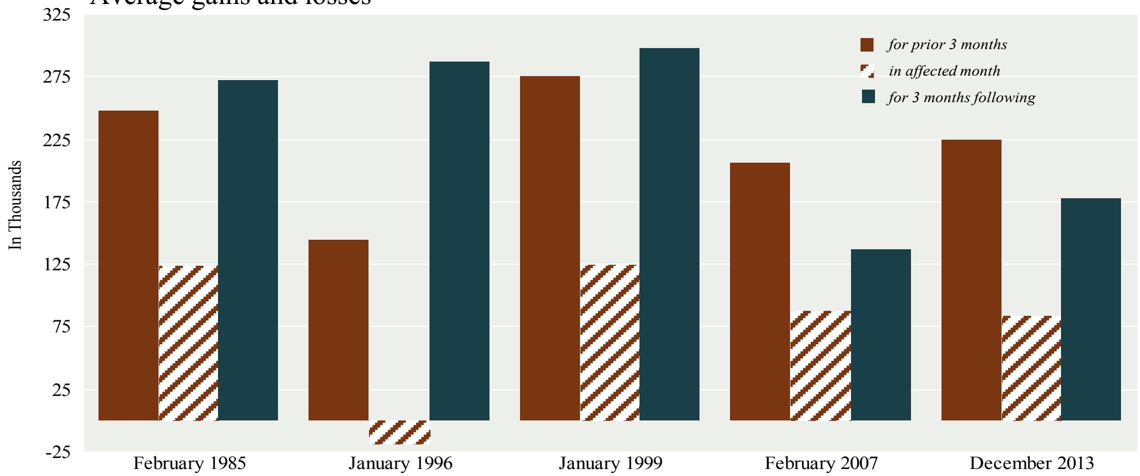
The Fed will continue to reduce purchases of Treasuries and mortgages by $10 billion per meeting, concluding the Quantitative Easing program in the fourth quarter. Odds of any delay to the taper: less than 10%.

Net Treasury borrowing for 2014, an estimated $750 billion, should decline for the next several years—staying well below the $1.8 trillion in 2009.
Will economic growth permit the transfer of debt back to the private sector?

Taper continues despite weather; rate hikes coming

If history serves as any barometer, the weather-related effects on jobs for the most recent three months should reverse course over the next three months. The bar graph below shows how, in four previous periods, severe weather rained on job creation and how jobs recovered as the weather improved.

Winters's Chill on Payrolls
Average gains and losses



Economic data over the next few months should rebound. The yield curve could flatten further.

- Two-year Treasuries have in the past front-run the first rate hike by as much as 12 months (2004-2006 tightening cycle). During 2004-2006 the two year Treasury ran as high as 192 bps above the fed funds rate, settling about 67 bps above it after the hike.
- At year end the two-year Treasury yield could rise to nearly 1%. The 10-year Treasury yield should increase more slowly, passing the 3.0% 2013 year-end level.

The housing market expansion from crisis lows is slowing due to the 1% increase in 30-year mortgage rates. New home starts are expected to top 1.2 million in 2014.

The bond market should get some support from better-funded pension plans looking to reduce portfolio risk by extending duration to match liabilities.

$317 billion of investment grade corporate debt issued in the first quarter—second most since the 2009 first quarter's $347 billion.

Investment grade corporate debt —continued to perform strongly. According to Barclay's data, the average spread for corporate bonds tightened 8 bps for the quarter to 106 bps above comparable treasuries.

Agency mortgage-backed securities—the quarter's worst performing bond-market sector. We remain underweight.

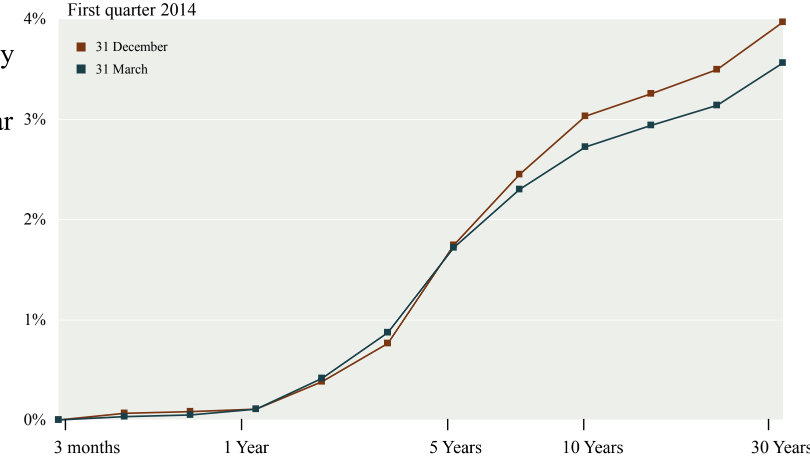
GDP growth should approach 3% in 2014 as capital spending and labor growth accelerate while the drag from higher taxes and reduced government spending fades

Rates Should Move Higher

We sense a more hawkish drift among Fed board members, perhaps in conflict with the official suggestion of rates near zero continuing for a "considerable time" after the end of QE. Removing the 6.5% unemployment threshold from forward guidance policy (practical in our opinion) nevertheless adds more uncertainty to rate-hike timing.

- Short-term securities are likely to reflect a higher risk premium due to the opaqueness of the Fed's new qualitative guidelines. A March *Summary of Economic Projections* shows a majority of FOMC members agreeing that 4% represents a "normal" long-term rate level. It will take a while to get there.
- Chairwoman Yellen's tone at the March Fed meeting pushed intermediate yields higher and flattened the curve (*see graph*). Ms. Yellen seemed to soften her tone during her press conference after the meeting. Still, a possibility of early 2015 rate hikes sent the 5-year yield higher and modestly flattened the 5-year-to-30-year portion of the curve.

Treasury Yield Curve
First quarter 2014



Portfolio Position

We are maintaining a defensive duration position and a modestly barbelled structure, overweight very short and very long securities and under weight the middle of the curve.

- Shorter maturities will under-perform in a tightening environment while longer-term maturities, more sensitive to growth and inflation, should fare better. Growth will remain below the rate of previous recoveries and inflation below historic norms.
- We will keep an eye on the dovish European Central Bank as it gives consideration to their own version of Quantitative Easing. Any stimulus effort could temper domestic rate increases.

What a difference a couple of weeks can make. For the first two-and-a-half months of the quarter, high growth momentum stocks (think social media like Facebook, Yelp, Zynga) were on a tear, rising 25%-40%. Then came an abrupt about-face in the final two weeks of the quarter wherein these stocks gave back between 15% and 20% and continued falling into the first weeks of the second quarter. Given that we do not own these stocks (believing that they are overvalued), we were lagging the index for the most of the quarter but began closing the gap as fundamentals came back into favor.

- The C.S. McKee Large-Cap Core strategy returned 0.68% in the first quarter compared to 1.81% for the S&P 500 Index. Primary detractors to performance included the Healthcare and Industrials sectors, which combined for 126 basis points of underperformance.

- Celgene Corp., a biopharmaceutical company that develops drugs to treat certain cancers, saw its shares wither by 17% in the first quarter due to competitors' upcoming challenges to Celgene's patents. These patents protect the company's blockbuster and flagship drug for multiple myeloma, Revlimid. The stock cost the portfolio 53 basis points of relative performance and was the source of the majority of the underperformance in the sector. However, we find the current valuation compelling and feel the recent patent challenge should be resolved in Celgene's favor.

- Similarly, the Industrial sector was impacted by a 14.5% reversal in shares of Kennametal, Inc. The company manufactures and supplies tooling, engineered components, and advanced materials consumed in production processes worldwide. Disappointing operating margins caused earnings to fall short of market expectations. We continue to see a long-term opportunity in this holding resulting from a turnaround in commodity prices leading to increased demand for mining equipment.

- The portfolio was positively impacted by outperformance in the Consumer Discretionary and Technology sectors which combined for an incremental 47 basis points. Specifically, shares of Borg Warner, a manufacturer of automotive powertrain systems and components, drove higher by 10% during the quarter on improved sales volume and margins. The stock added 26 basis points to performance.

- Within the Technology sector computer data storage company, Sandisk, saw its shares rise by more than 15%. The company benefitted from stable pricing and a shift in the product mix toward solid state drives and away from traditional hard drives.

2014 started with 10-year Treasury yields at their highest level since July 2011, only to fall throughout the quarter as the higher yields, weather induced economic weakness, and international political turmoil attracted buyers. December and January's payroll reports appeared disconcertingly low at first, but the Fed attributed most of the weakness to harsh weather and continued on their path of tapering asset purchases. During her first press conference as Chair of the Federal Reserve, Janet Yellen surprised the market when she said the first rate hike could occur "around six months" after QE concludes. Subsequent comments from Ms. Yellen and other FOMC members assuaged the bond market's fear of a more immediate change in the Funds rate.

- The C.S. McKee Aggregate Strategy returned 1.96% in the first quarter (versus 1.84% for the Barclays Aggregate Index), joining our Intermediate and Short Government/Credit, Intermediate Aggregate, Government composites in outperforming their benchmarks. Sector and security selection added value while duration and yield curve effects were net detractors.

- The first significant move of the quarter involved the sale of long credit in mid-January, locking in the outperformance of the previous quarter. Pension managers, looking to de-risk plans as funding levels improved, were significant buyers of long spread product in December and early January. Credit positions, both intermediate-maturity and longer, were reinstated in February, following weakness induced by developments in Ukraine and concerns about slowing growth in China.

- Agency security selection was the largest contributor to benchmark outperformance for the quarter, driven by an overweight in longer dated premium and discounted callable agency bonds and step-ups. A flatter yield curve, falling volatility, positive legislation, and very little supply provided the perfect environment for the securities that we owned, allowing them to outperform almost all other Government issued securities.

- The initial move towards a more barbelled maturity structure began in February, coinciding with the issuance of a new 30-year Treasury. Despite the Fed's forward guidance, we expect renewed economic strength to produce higher market interest rates, especially in the middle of the yield curve. This initiative continues into the second quarter, with the initial sale of 10-year Treasuries joined by sales in the 5-year maturity range. Proceeds have been invested in a combination of short ABS and TIPS, as well as 30-year Treasuries. Portfolio duration remains in the 85% to 90% range.